

STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

ENERGY

IN THE MATTER OF THE APPLICATION OF THE)	ORDER APPROVING
BOROUGH OF BUTLER ELECTRIC UTILITY FOR)	STIPULATION
AN ORDER APPROVING A LEVELIZED ENERGY)	
ADJUSTMENT CLAUSE (LEAC) FOR APRIL 1, 2002)	
TO MARCH 31, 2003)	DOCKET NO. ER02020065

(SERVICE LIST ATTACHED)

BY THE BOARD:

By letter dated February 1, 2002 the Borough of Butler Electric Utility ("Butler", "Company," or "Petitioner") filed a Petition with the Board of Public Utilities ("Board") to: (1) decrease its annual Levelized Energy Adjustment Clause ("LEAC") rate from \$0.013537 per kilowatt-hour ("kWh") to \$0.009782 per kWh effective April 1, 2002; (2) continue the cap level of \$0.0375 per kWh on quarterly adjustments to the LEAC rate; and (3) continue the implementation of the LEAC rates as authorized by Board Order dated April 23, 1987 in Docket No. ER86040390 and as approved by Board Order Adopting Stipulation, Docket No. ER92010082 dated April 2, 1992. Butler serves approximately 10,800 jurisdictional customers in the boroughs of Butler, Bloomingdale, Riverdale, and Kinnelon, as well as West Milford Township.

By Order dated April 23, 1987, Docket No. ER86040390, the Board authorized Butler to implement certain revisions in its annual LEAC. Those revisions included a provision that allowed Butler to adjust its LEAC rate on a quarterly basis, so as to minimize LEAC fuel balance over and underrecoveries, so long as the resulting LEAC rate does not exceed a rate cap of \$0.0375 per kWh. Butler seeks a continuance of this cap and quarterly adjustment mechanism. Butler remains subject to a full annual LEAC proceeding, which it is required to file by February 1 of each year.

At a public hearing held at the Borough of Butler Municipal Building on April 30, 2002, the Mayor of the Borough of Bloomingdale raised issues with respect to the Company's filing. After further discussions between representatives of the Borough of Bloomingdale and the Petitioner, the

parties received a letter from the Borough of Bloomingdale, dated May 17, 2002, stating, in part, that the Governing Body had voted to rescind a previously adopted resolution that voiced opposition to Butler's proposal in this proceeding. On July 1, 2002, the Petitioner filed its quarterly rate adjustment, increasing its LEAC rate from \$0.013537 to \$0.016362.

Staff, the Advocate and the Petitioner ("Stipulating parties") engaged in discovery and settlement discussions. As a result of those extensive discussions, and after the withdrawal of the Borough of Bloomingdale's objections, the parties entered into the attached Stipulation on August 8, 2002. The Stipulating parties have agreed that:

1. The LEAC rate of \$0.009782 per kWh is the appropriate rate that should have been in effect as of April 1, 2002. However, since settlement discussions with the Borough of Bloomingdale continued beyond the requested April 1, 2002 implementation date, Petitioner continued to charge customers the \$0.013537 LEAC rate that it implemented on January 1, 2002, via its quarterly adjusted LEAC mechanism, through June 30, 2002. Furthermore, the calculation of the quarterly adjusted rate of \$0.016362 that Petitioner implemented on July 1, 2002, took into account the fact that the requested rate of \$0.009782 had not been implemented on April 1, 2002 as originally sought.
2. Interest on overrecoveries shall continue to be computed on an annual basis at the prevailing monthly New Jersey Cash Management Fund Interest Rate. Accrued interest from the previous LEAC year shall be reflected in each annual filing.
3. Petitioner's cap level of \$0.0375 per kWh applicable to the quarterly LEAC adjustment filing established by Board Order dated April 23, 1987 in Docket No. ER86040390 shall continue.
4. Until otherwise altered by the Board, the Petitioner shall have an annual LEAC proceeding that shall be filed February 1st of each year, proposed to be effective as of April 1st of said year.
5. The Company's LEAC costs shall remain subject to audit by the Board. The Stipulation shall not preclude nor prohibit the Board from taking any actions deemed appropriate as result of any such audit.
6. Petitioner shall continue to file, as previously ordered by the Board, monthly reports with all signatory parties as to the status of its over/underrecovery.
7. As authorized by the Board Order in Docket No. ER86040390 dated April 23, 1987, the Petitioner will continue to implement a LEAC rate.
8. Future LEAC proceedings shall continue to comply with the minimum LEAC filing requirements ordered by the Board in its Order in Docket Nos. ER85030302 and ER85030303, dated August 16, 1985.

DISCUSSION AND FINDINGS

The Board has reviewed the attached Stipulation and FINDS it to be just and reasonable and in the public interest. Accordingly, the Board HEREBY ADOPTS the Stipulation in its entirety, incorporating by reference, its terms and conditions as though set forth at length herein. The

Board HEREBY APPROVES the LEAC rate of \$0.009782 per kWh as the appropriate rate that should have been in effect as of April 1, 2002. Further, Petitioner is authorized to continue its quarterly LEAC adjustment mechanism as established by Board Order dated April 23, 1987 in Docket No. ER86040390 subject to the cap of \$0.0375 per kWh. Butler's LEAC costs remain subject to audit by the Board, and approval of the Stipulation shall not preclude nor prohibit the Board from taking any actions deemed appropriate as a result of any such audit.

The Board HEREBY ORDERS Butler to continue to file monthly reports with all signatory parties as to the status of its LEAC over/underrecovery.

DATED: September 5, 2002

BOARD OF PUBLIC UTILITIES
BY:

(SIGNED)
JEANNE M. FOX
PRESIDENT

(SIGNED)
FREDERICK F. BUTLER
COMMISSIONER

(SIGNED)
CAROL J. MURPHY
COMMISSIONER

(SIGNED)
CONNIE O. HUGHES
COMMISSIONER

ATTEST:

(SIGNED)
KRISTI IZZO
SECRETARY